CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

Meeting of Wednesday, Sept. 21, 1977

Attendance: Mr. A. Duff, Prof. C. Goldman, Prof. A. Dickie, Mr. P. Gore, Prof. G. Martin, Mr. C. Waters, Mr. J. Tait, Messrs. R. Brochu and B. Morency of William M. Mercer Ltd.

Appointment of a Chairman and Vice Chairman

In view of the fact that the outside Board members Messrs. Hemens, Lemieux and Malone were unable to attend the meeting, it was agreed that the appointments be delayed until the next meeting.

Mr. Duff asked the Committee members if they had any preference as to who should be Chairman and Vice Chairman. Professor Dickie replied that of the outside Board members, he knew both Mr. Hemens and Mr. Lemieux. In his opinion, either one would make a good Chairman.

The Committee agreed that Mr. Duff act as Chairman for this meeting.

Terms of Office for Elected Members

After discussion the Committee decided that the terms of office should run for the academic year i.e. June 1st to May 31st.
The following terms were agreed upon by the Committee:

Prof. A. Dickie	June 1 1977 to May 31 1978
Prof. C. Goldman	June 1 1977 to May 31 1979
Mr. W.M. Reay	June 1 1977 to May 31 1978
Mr. P. Gore	June 1 1977 to May 31 1979

Establishment of rules
regarding quorum and voting

Mr. Duff reminded the members that recommendations of the Concordia Employee Benefits Committee are made through the Personnel Committee to the Board of Governors.

A suggested text for " Quorum and Voting " (Appendix " A " attached) had been circulated to the members prior to the meeting and was used as a guide.

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Mr. Waters informed the Committee that Mr. Hemens had relayed his views on this text by telephone. Mr. Hemens felt that the text be amended to read as follows:

> " A majority of the members of the Committee at the time in office may do any act which the Committee is required or authorized to do, and the action of such majority expressed from time to time by a vote at a properly constituted meeting, shall constitute the action of the Committee. A properly constituted meeting shall be one:
>
> (a) about which all members have been given adequate notice concerning the location and time.
>
> (b) at which a majority of the members are present."

The Committee was also informed of Mr. Hemens misgivings regarding the paragraph outlining the method of voting by telephone or mail.

A discussion followed questioning the necessity of a mail or telephone vote. It was agreed that the need could only arrive where a speedy decision was required in connection with investment of the " Fund Assets." These events being extremely rare, the Committee decided that the paragraph be deleted.

It was unanimously agreed that the wording as outlined above be adopted.

Scheduling of Meetings

The members agreed that regular meetings be held on the third Wednesday of the month at 12.00 noon. It was further agreed that, should circumstances so require, additional meetings would be held at the call of the Chair.

Mr. Duff reviewed briefly the items requiring the early attention of the Committee (2 of Appendix "A" attached)

1 Adequacy of pensions currently paid to retired personnel.
Prof. Dickie requested that Mrs. Jessie Fraser, widow of William Fraser be considered for an ex-gratia pension when this subject comes up for discussion.

2 Reciprocal Agreements

Mr. Duff remarked that this item had been deferred several times and that it should be dealt with shortly. Mr. Tait pointed out that there were two decisions to be made i.e.:

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a) Should the plan provide for reciprocity?
b) If the answer to (a) above were yes, would this provision be made retroactive to take care of cases such as that of Tom Barnes which was presented by Bryan Barbieri.

3 Approval of the Plan Documents

No comment other than that the plan documents were not yet available.

4 Review of Interest Rate

Some discussion was held on what should constitute an equitable rate of interest payable on refunds of contributions in the event of termination or death. Mr. Waters informed the Committee that the Loyola Plan provided 5% and the Sir George Plan 6%. Mr. Brochu remarked that ideally the rate of interest payable should have some relation with the Plan rate of return. Over the short term however, such an arrangement would prove unacceptable due to the possibilty of it being extremely low or even negative. A rate more closely related to current interest rates available on deposits would therefore be more acceptable.

The Committee agreed that the 6% rate should be applied for the balance of 1977.

Transfer of Funds

Mr. Waters advised the Committee that McLean Budden had asked that $600,000 be transferred from the Equity account at Montreal Trust to the Fixed Income. This transfer was requested so that McLean Budden could make further purchases of NHA Mortgages.

It was explained that the amount of cash (i.e. short term securities) held at Montreal Trust was $1.9 million. $1.5 million was in the Equity account and the balance in Fixed Income.

Professor Martin explained that the prior Sir George Pension Committee had authorized Montreal Trust to deposit 60% of all contributions to the Fixed Income Account and 40% to the Equity Account. As McLean Budden had been more active buyers of Fixed Income Securities than they were of Equities, an excessive cash buildup had occurred in the Equity Account.

It was unanimously agreed that the interest available on mortgages was good particularly so due to the fact that they were guaranteed by the government. Approval was therefore given to go ahead with the transfer.

Re-Opening of Pension Options

Professor Martin advised the Committee that a certain number of individuals had strongly objected to being automatically enrolled in the plan because they had neglected to return the option card before the deadline. The reasons for missing the deadline were less then valid. Due to

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the importance of the decision, however some consideration had been given to allowing exceptional treatment. This action was rejected as being unfair to those who went along with automatic enrollment.

Professor Dickie cautioned that any re-opening of the plan would have to be clearly defined as being final so that participants did not view it as being a regular occurrence.

A final open date for the Pension option was approved by the Committee to be effective January 1st 1978. The regular open dates would remain at 5 year intervals from the Plan effective date of January 1st 1977.

Presentation of the Actuarial Valuation at January 1st 1977

Mr. Brochu presented the first valuation of the Concordia Pension Plan. The last valuations to be filed with the Quebec Pension Board were those of January 1st 1975 for Sir George Williams and April 1st 1973 for Loyola.

Mr. Brochu explained that the new deficit occurring on January 1st,1977 was for $1,763,000. $226,000 of this deficit resulted from the upgrading of the previous Loyola formula to 2% from 1.75%. The balance of over $1.5 million was due to the integration of the substantial cost of living bonuses (montant forfaitaire) which were rolled into the salary base.

Professor Goldman expressed surprise at the extent of the deficit. He commented that increases in salary were accompanied by greater contributions since the latter were calculated as a percentage of salary. Mr. Brochu explained that the increase in contributions took care of current service costs but not the increase due to the effect of cost of living integration upon the service prior to the current year.

Mr. Duff added that the situation was aggravated due to the fact that the cost of living bonuses (montant forfaitaire) were not considered as pensionable earnings and therefore were not subject to pension deductions while they were being paid. Consideration had been given to charging members retroactively but that idea had been abandoned as being impractical if not impossible to implement.

Contributory versus Non-Contributory Participation

Professor Goldman asked what advice should be given to members when faced with this choice. Is it more advantageous to join the contributory plan or to join the non-contributory plan and invest an equivalent amount in a private R.R.S.P.

Mr. Brochu stated that the decision was a difficult one due to the number of variables. In studies made, it appeared that where interest rates and rates of increase in the cost of living were within two percentage points of each other that either choice yielded approximately the same thing.

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Experience, however, would indicate that in the past few years this was not the case as evidenced by the incurred deficit; this deficit being largely the result of salary increases outstripping the plan rate of return. Based on this observation, it would certainly be to a member's advantage to contribute.

Actuarial Consultants

Mr. Duff remarked that William M. Mercer's assignment was to assist in the development of a combined Concordia Program. Actuarial Consultants for the new program had not yet been appointed. He further stated that the administration should make recommendations regarding whose services should be retained, as it is in the best position to judge the efficiency and performance of the consultants.

Management of the Pension Plan Assets

The question of pension assets was discussed briefly in conjuction with Appendix " B " attached. The general concensus was that the size of the fund was such that it could stand alone as a segregated fund and be managed through investment counsel.

Professor Martin stated that McLean Budden were doing a good job of managing the assets held by Montreal Trust. He also remarked that they had only been the Plan's fund managers for four years, a rather short period of time to evaluate long term performance.

It was agreed that final decisions on Actuarial Consultants and Pension Asset Management would be deferred until the next meeting when attendance would be larger.

The meeting adjourned at 2.30 p.m. on a motion from the chair.

Colin Dutton